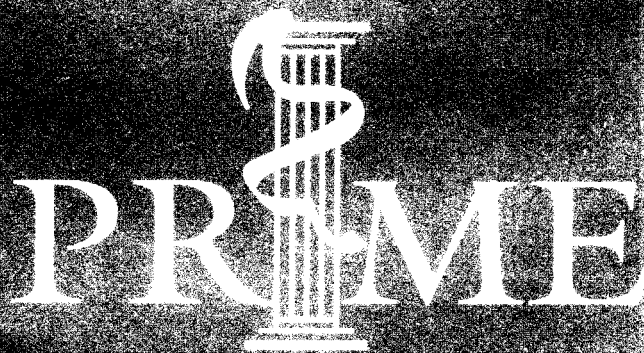


Annual Report  
2003 - 2004



PRIME TEXTILES LIMITED

**PRIME TEXTILES LIMITED****Annual Report 2003-04****BOARD OF DIRECTORS****SHRIMADANLAL PATODIA**

Chairman

**SHRIPURUSHOTTAM PATODIA**

Vice Chairman &amp; Managing Director

**SHRIMANOJJKUMAR PATODIA**

Executive Director

**SHRIANUJ K. PATODIA**

Executive Director

**SHRIN.K. BAFNA****SHRIBANWARILAL SINGHAL****SHRICHANDULAL D.THAKKER****SHRIB. RAJAGOPAL**

Nominee of IDBI

**COMPANY SECRETARY****SHRIS.RENGASAMY****AUDITORS****MESSRS.M.S.JAGANNATHAN & VISVANATHAN**

Chartered Accountants, Coimbatore

**LEGAL ADVISORS****MESSRS. RAMANI & SHANKAR**

Advocates, Coimbatore

**BANKERS****CENTRAL BANK OF INDIA****BANK OF INDIA****CANARA BANK****EXPORT - IMPORT BANK OF INDIA****REGISTERED OFFICE**

110, Avinashi Road

Gandhinagar Post

Tirupur-641 603

India



**PRIME TEXTILES LIMITED**

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*The Quality Advantage*

**PRIME TEXTILES LIMITED**

(A Government Recognised Export House)

Registered Office: 110 Avinashi Road, Gandhinagar P.O. TIRUPUR-641 603

**NOTICE**

NOTICE is hereby given that the **SIXTY SEVENTH** Annual General Meeting of the Members of **PRIME TEXTILES LIMITED** will be held at the Registered Office of the company at 110 Avinashi Road, TIRUPUR-641 603, Tamilnadu on Saturday, the 25<sup>th</sup> September 2004 at 4.00 p.m. to transact the following business:

**AS ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2004 and the Profit and Loss Account for the year ended 31<sup>st</sup> March 2004, together with the Reports of the Directors and of the Auditors thereon
2. To declare a dividend on Preference Shares and Equity shares for the year ended 31<sup>st</sup> March 2004
3. To appoint a Director in place of Shri Madanlal Patodia who retires by rotation and being eligible, offers himself for reappointment
4. To appoint a Director in place of Shri Chandulal D.Thakker who retires by rotation and being eligible, offers himself for reappointment
5. To appoint Auditors and fix their remuneration

**AS SPECIAL BUSINESS**

6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT the consent of the company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgage and/or charging by the Board \ Committee of Directors, of all the immovable properties and movable fixed assets of the company, excluding assets on which exclusive charge was given and hypothecation of all movable properties of the company subject to prior charges in favour of Bankers for Working Capital, wheresoever situate, present and future and of conferring power to enter upon and to take possession of assets of the company in certain events, to or in favour of the following: viz. i) Export-Import Bank of India (EXIM BANK) and ii) Central Bank of India (CBI) under consortium arrangements with Bank of India and Canara Bank.

To secure on *pari passu* second charge basis

- i) Exim Bank of its Working Capital facilities aggregating USD 3.50 million
- ii) Revised Working capital facilities aggregating to Rs. 6,668 lacs for 2003-04 both fund based and non-fund based facilities sanctioned by Central Bank of India under the consortium arrangements with Bank of India and Canara Bank and the limits are shared among the consortium banks Rs. 4,375 lacs Central Bank of India, Rs. 1,243 lacs Bank of India and Rs. 1,050 lacs Canara Bank
- iii) Together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, charges, expenses and other moneys including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchange of foreign currencies involved, payable by the company to the consortium banks.

"RESOLVED FURTHER THAT the Board\Committee of Directors of the company be and is hereby authorized to do all such acts and things as may be necessary for giving effect to the above resolution.

AND FURTHER RESOLVED THAT the mortgage\charge created\to be created and \or agreements\documents executed\to be executed and all acts done in terms of the above resolution by and with authority of the Board of Directors be and are hereby confirmed and ratified".

**PRIME TEXTILES LIMITED**

7. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution.

**Reappointment of Shri Purushottam Patodia as Vice Chairman and Managing Director of the company**

"RESOLVED that in accordance with the provisions of Sections 198,269 and 309 read with Schedule XIII and all applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force), the consent of the company be and is hereby accorded to the re-appointment of Shri Purushottam Patodia, as Vice Chairman and Managing Director of the company for a period of THREE years with effect from 20<sup>th</sup> October 2004, on the terms and conditions (including the remuneration to be paid in the event of loss of or inadequacy of profits in any financial year during the aforesaid period) including remuneration as are set out in the agreement to be entered into between the company and Shri Purushottam Patodia, a draft whereof is placed before this meeting and is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 including any statutory modifications or re-enactments thereof, for the time being in force or any amendments and/or modifications that may hereafter be made thereto by the Central Government or as may be agreed between the Board of Directors and Shri Purushottam Patodia".

"RESOLVED further that in the event of any statutory amendment or modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956 the Board of Directors be and is hereby authorized to vary or increase the remuneration, including salary, perquisites, allowances etc. within such prescribed limit or ceiling and the aforesaid draft agreement between the company and Shri Purushottam Patodia be suitably amended to give effect to such modification, relaxation or variation without any further reference to the company in General Meeting".

"RESOLVED further that the Board/Remuneration Committee of Directors of the company be and is hereby authorized to do all acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to this resolution".

8. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution.

**Appointment of Shri Manojkumar Patodia as Managing Director of the company**

"RESOLVED that in accordance with the provisions of Sections 198,269 and 309 read with Schedule XIII and all applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force), the consent of the company be and is hereby accorded to the appointment of Shri Manojkumar Patodia, as Managing Director of the company for a period of THREE years with effect from 1st January 2005, on the terms and conditions (including the remuneration to be paid in the event of loss of or inadequacy of profits in any financial year during the aforesaid period) including remuneration as are set out in the agreement to be entered into between the company and Shri Manojkumar Patodia, a draft whereof is placed before this meeting and is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 including any statutory modifications or re-enactments thereof, for the time being in force or any amendments and/or modifications that may hereafter be made thereto by the Central Government or as may be agreed between the Board of Directors and Shri Manojkumar Patodia".

"RESOLVED further that in the event of any statutory amendment or modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956 the Board of Directors be and is hereby authorized to vary or increase the remuneration, including salary, perquisites, allowances etc. within such prescribed limit or ceiling and the aforesaid draft agreement between the company and Shri Manojkumar Patodia be suitably amended to give effect to such modification, relaxation or variation without any further reference to the company in General Meeting".

"RESOLVED further that the Board/Remuneration Committee of Directors of the company be and is hereby authorized to do all acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to this resolution".

By Order of the Board

Place: Coimbatore  
Date: 29.06.2004

**S.Rengasamy**  
Company Secretary

## NOTES FOR THE MEMBERS' ATTENTION

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company. The instrument appointing proxy should however be deposited at the Registered Office of the company not less than 48 hours before the commencement of the meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is annexed hereto and forms part of the Notice.
3. The Register of Members and Share Transfer Books of the company will remain closed from 16<sup>th</sup> September 2004 to 25<sup>th</sup> September 2004 (both days inclusive)
4. Dividend on equity shares as recommended by the Board of Directors for the year ended 31<sup>st</sup> March 2004 when declared at the Annual General Meeting will be paid to members whose names appear
  - i As beneficial owner as per the list to be furnished by the depositories in respect of the shares held in Demat form and
  - ii As Members on the Register of Members of the company as on 25<sup>th</sup> September 2004, after giving effect to all valid share transfers in physical form which would be received by the company before 16<sup>th</sup> September 2004.

5. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed/unpaid dividends upto the financial year ended 30<sup>th</sup> June 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrant for the said period are requested to claim the amount from the Registrar of Companies, Coimbatore-641 005.

Further, pursuant to Section 205A of the Companies Act, 1956, the amount of dividend for the financial year ended 30<sup>th</sup> June, 1996 which was remaining unpaid or unclaimed for a period of seven years has been transferred by the Company to the Investors Education and Protection Fund of the Central Government (the "Fund"). The dividends remaining unpaid or unclaimed for the financial year ended 30<sup>th</sup> June 1997 and thereafter shall similarly on expiry of the prescribed period of seven years also be transferred to the fund.

Shareholders who have so far not encashed the dividend warrant(s) for the financial year ended 30<sup>th</sup> June 1997 or for any financial years subsequent thereto, are requested to immediately forward the same to the company for revalidation.

Also note that no claim shall lie against the said Fund or the company in respect of any amounts which were unclaimed and unpaid for a period of 7 (seven) years from the date that they first became due for payment and no payment shall be made in respect of any such claim.

6. Members are requested to notify change of address, if any, with Pin Code quoting reference to their folio number immediately to the Registrar.
7. Shareholders are requested to note the Company's Registrars and Share Transfer Agents for physical shares. M/s SKDC Consultants Limited (SKDC), No.11 Seth Narayandoss Layout, Street No.1 (West Power House Road), Coimbatore-641 012. SKDC is also having a depository interface of the company with both NSDL and CDSL.
8. Payment of Dividend through ECS:
  - a. Members holding shares in physical form are advised to submit particulars of their bank account, viz. Name and address of the branch of bank, 9 digit MICR code of the branch, type of account and account number to the Company Secretary at 110 Avinashi Road, Gandhinagar P.O., Tirupur-641 603
  - b. Members holding shares in demat form are advised to inform their particulars of their bank account to their respective depository participant. Payment of dividend through ECS is subject to availability of the facilities with the bank.
9. Members may please note that the Dividend warrants are payable at par at the designated branches of the bank printed on reverse of the Dividend warrant for an initial period of 3 months only. Thereafter, the Dividend warrant on revalidation is payable at Tirupur only. The members are, therefore, advised to encash Dividend warrants within the initial validity period.
10. Re-appointment of Directors

At the ensuing Annual General Meeting Shri Madanlal Patodia and Shri Chandulal D. Thakker retire by rotation and being eligible, offer for re-appointment. The information or details pertaining to these Directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges are furnished in the statement on Corporate Governance published in this Annual Report.

## PRIME TEXTILES LIMITED

## EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

## RESOLUTION AT ITEM NO.6

Export-Import Bank of India (Exim Bank) has sanctioned the financial assistance for the working capital requirements of the company by way of PCFC within the MPBF fixed by the banks under consortium arrangement. As per the terms of sanction, the said financial assistance shall be secured by way of mortgage on *pari passu* second charge on all the immovable properties and movable fixed assets of the company.

Central Bank of India has sanctioned the revised financial assistance for the working capital requirements of the company for the financial year 2003-04 to be shared under consortium arrangements with Bank of India and Canara Bank. As per the terms of sanction, mortgage on all the immovable properties and movable fixed assets of the company has to be extended on *pari passu* second charge basis.

Section 293(1)(a) of the Companies Act, 1956 requires that the Board of Directors of a Public Limited company shall not without the consent of the shareholders in the General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company.

Since the mortgage and/or charge created to be created as aforesaid in favour of Exim Bank and Bankers for working capital advances, may be regarded as disposal of the company's properties, it is necessary for the members to pass a resolution u/s 293(1)(a) of the Companies Act, 1956.

None of the Directors of the company is concerned or interested in the Resolution.

Your Directors recommend this resolution for approval as an Ordinary Resolution.

## RESOLUTION AT ITEM NO.7

Shri Purushottam Patodia has been the Vice Chairman and Managing Director of the company since 20.10.1989 and his tenure of office concludes on 19.10.2004. The Board of Directors has felt that it would be in the best interests of the company to re-appoint Shri Purushottam Patodia for a further period of three years. The Remuneration Committee of Directors and the Board of Directors at their meetings held on 28.06.04 and 29.06.04 respectively approved for appointment of Shri Purushottam Patodia as Vice Chairman and Managing Director for a further period of THREE years with effect from 20.10.2004. The draft agreement to be entered into by the company with Shri Purushottam Patodia in respect of his appointment, *inter alia*, contains the following terms and conditions.

Name and Designation	:	Shri Purushottam Patodia Vice Chairman and Managing Director
Period	:	From 20.10.2004 to 31.03.2007
Remuneration	:	Rs. 2,50,000 - 50,000 - 3,50,000

**Commission :** Commission will be allowed in addition to salary and perquisites, the amount of which, based on the Net Profits of the company in a particular year, shall be subject to the overall ceilings laid down in Section 198 and 309 of the Companies Act, 1956. The Board of Directors from time to time in its absolute discretion thereof will decide the amount of commission for each financial year or part.

**Perquisites :** Perquisites shall be allowed in addition to salary and shall be restricted to an amount equal to the annual salary.

## PART A

## 1. Housing

- The expenditure by the company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary, over and above 10% payable by Shri Purushottam Patodia.
- If the company does not provide accommodation to Shri Purushottam Patodia, he shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above
- If accommodation in the company owned house is provided to Shri Purushottam Patodia, a deduction of 10% shall be made from his salary.

**Explanation :** The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per Income Tax Rules 1962. This shall however, be subject to a ceiling of 10% of the salary of Shri Purushottam Patodia.

2. Medical Reimbursement: Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
3. Leave Travel Concession: Leave Travel Concession for self and family once in a year incurred in accordance with the rules of the company
4. Club Fees: Fees of clubs subject to a maximum of two clubs. No admission and Life Membership fees will be paid
5. Personal Accident Insurance: Personal Accident Insurance of an amount, the premium which shall not exceed Rs. 10,000 per annum

## PART B

- i. Contribution to Provident Fund and Super Annuation Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income tax Act, 1961. Gratuity payable shall not exceed half month's salary for each completed year of service.
- ii. Earned leave: On full pay and allowances as per the rules of the company but not exceeding one month's leave for every eleven months of service. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

## PART C

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

### Minimum Remuneration

Notwithstanding anything to the contrary herein contained wherein any financial year during the currency of the tenure of the appointee, the Company has no profits or its profits are inadequate, the Company will pay remuneration as specified above as Minimum Remuneration.

The terms and conditions of appointment as set out in the draft agreement and remuneration herein may be altered and varied from time to time by the Board of Directors of the Company as it may, at its discretion deem fit, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), or any amendments made thereto.

Either party may terminate the agreement by giving to the other party six months' notice.

The draft agreement to be entered into between the Company and Shri Purushottam Patodia is available for inspection at the Registered Office of the Company on any working day during the working hours from the date of this Notice upto the date of the 67<sup>th</sup> Annual General Meeting.

The Directors recommend the resolution set out at item No.7 of the Notice for approval by the shareholders.

The above narration be treated as an abstract of the terms of contract/appointment between the Company and Shri Purushottam Patodia in pursuance to Section 302 of the Companies Act, 1956, when executed.

Shri Madanlal Patodia, Shri Manojkumar Patodia, and Shri Anuj K. Patodia, being related to Shri Purushottam Patodia, are deemed to be interested in this resolution mentioned in item No.7 of the notice.

## RESOLUTION AT ITEM NO.8

Shri Manojkumar Patodia has been the Executive Director of the company since 01.01.1995 and his tenure of office concludes on 31.12.2004. The Board of Directors has felt that it would be in the best interests of the company to appoint Shri Manojkumar Patodia for a period of THREE years as Managing Director. The Remuneration Committee of Directors and the Board of Directors at their meetings held on 28.06.04 and 29.06.04 respectively approved for appointment of Shri Manojkumar Patodia as Managing Director for a period of three years with effect from 01.01.2005. The draft agreement to be entered into by the company with Shri Manojkumar Patodia in respect of his appointment, inter alia, contains the following terms and conditions.



**PRIME TEXTILES LIMITED**

Name and Designation	:	Shri Manojkumar Patodia Managing Director
Period	:	From 01.01.2005 to 31.03.2007
Remuneration	:	Rs.1,50,000 - 30,000 - 2,10,000

Commission : Commission will be allowed in addition to salary and perquisites, the amount of which, based on the Net Profits of the company in a particular year, shall be subject to the overall ceilings laid down in Section 198 and 309 of the Companies Act, 1956. The Board of Directors from time to time in its absolute discretion thereof will decide the amount of commission for each financial year or part.

Perquisites: Perquisites shall be allowed in addition to salary and shall be restricted to an amount equal to the annual salary.

**PART A****1. Housing**

- The expenditure by the company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary, over and above 10% payable by Shri Manojkumar Patodia.
- If the company does not provide accommodation to Shri Manojkumar Patodia, he shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above
- If accommodation in the company owned house is provided to Shri Manojkumar Patodia, a deduction of 10% shall be made from his salary.

**Explanation:** The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per Incometax Rules 1962. This shall however, be subject to a ceiling of 10% of the salary of Shri Manojkumar Patodia.

- Medical Reimbursement:** Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- Leave Travel Concession:** Leave Travel Concession for self and family once in a year incurred in accordance with the rules of the company
- Club Fees:** Fees of clubs subject to a maximum of two clubs. No admission and Life Membership fees will be paid
- Personal Accident Insurance:** Personal Accident Insurance of an amount, the premium which shall not exceed Rs. 10,000 per annum

**PART B**

- Contribution to Provident Fund and Super Annuation Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Incometax Act, 1961. Gratuity payable shall not exceed half month's salary for each completed year of service.
- Earned leave: On full pay and allowances as per the rules of the company but not exceeding one month's leave for every eleven months of service. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

**PART C**

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

**Minimum Remuneration**

Notwithstanding anything to the contrary herein contained wherein any financial year during the currency of the tenure of the appointee, the Company has no profits or its profits are inadequate, the Company will pay remuneration as specified above as Minimum Remuneration.

The terms and conditions of appointment as set out in the draft agreement and remuneration herein may be altered and varied from time to time by the Board of Directors of the Company as it may, at its discretion deem fit, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), or any amendments made thereto.

Either party may terminate the agreement by giving to the other party six months' notice.

The draft agreement to be entered into between the Company and Shri Manojkumar Patodia is available for inspection at the Registered Office of the Company on any working day during the working hours from the date of this Notice upto the date of the 67<sup>th</sup> Annual General Meeting.

The Directors recommend the resolution set out at item No.8 of the Notice for approval by the shareholders.

The above narration is treated as an abstract of the terms of contract/appointment between the Company and Shri Manojkumar Patodia in pursuance to Section 302 of the Companies Act, 1956, when executed.

Shri Mandanlal Patodia, Shri Purushottam Patodia, and Shri Anuj K.Patodia, being related to Shri Manojkumar Patodia, are deemed to be interested in this resolution mentioned in item No.8 of the notice.

**Additional Information relevant to Shri Purushottam Patodia, Vice Chairman and Managing Director and Shri Manoj Kumar Patodia, Executive Director as per the Notification of the Department of Company Affairs and also under the clause 49 of the Listing Agreement.**

#### I. General Information

- i. Nature of Industry: The company is a Textile industry
- ii. Date or expected date of commencement of commercial production: The company was incorporated on November 16, 1936 and started production subsequently during the year.
- iii. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus - Not Applicable
- iv. Financial performance based on given indicators- as per published audited financial results for the year ended 31<sup>st</sup> March 2004

Particulars	Rs. in lakhs
Turn over and other income	12,478.36
Net Profit	152.60
Net worth	3,560.13

- v. Export performance and Foreign exchange collaboration:-

The FOB earnings in Foreign Exchange were Rs. 7,690 lakhs for the financial year ended 31<sup>st</sup> March 2004.

The company does not have any foreign exchange collaboration.

- vi. Foreign investments or Collaborations if any: None

#### II. Information about the appointee

##### a) Background details

- i. Shri Purushottam Patodia aged 64 years is in the Board since 1989 and was appointed as Vice Chairman and Managing Director on 20.10.1989.
- ii. Past Remuneration Rs. 2,00,000 per month
- iii. Recognition & Awards/Achievements : Shri Purushottam Patodia is widely recognized in the textile world of the country.
- iv. Job profile and his suitability- Shri Purushottam Patodia is the Vice Chairman and Managing Director of the company since 1989. He has spearheaded export promotion organisations namely, the Cotton Textiles Export Promotion Council (TEXPROCIL), the Federation of Indian Exports Organisation (FIEO), the ICMF and etcetera. He is serving as Chairman of Standing Committee on Cotton, ICMF-CDRA. He has led many trade delegations to importing countries and has contributed richly towards establishing the country as a reliable supplier for textiles in the overseas markets.
- v. Proposed Remuneration : Rs. 2,50,000 - 50,000 - 3,50,000
- vi. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person :  
Taking into consideration the size of the company, the profile of the appointee, the responsibilities shouldered on him and the industry bench marks, the remuneration proposed to be paid is commensurate with the remuneration packages paid comparable to similar other companies.
- vii. Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel if any.

Besides the remuneration proposed, the Vice Chairman and Managing Director do not have any other pecuniary relationship with the company and its managerial personnel.